



Rationale for Estates decisions

DfE Review

April 2013

Background

1. Estates costs represent a significant proportion of our administrative budget. In 2012-13 we spent £34 million on our twelve buildings and an additional £6 million on the residual cost of buildings we inherited from our Arm's Length Bodies. Ten years ago we had around 4,500 people on four sites; we now have fewer than 4,000 staff on twelve sites and headcount will reduce further. Although having multiple sites provides welcome access to different perspectives, labour markets and our customers, operating from so many sites often hinders efficient business delivery and increases management overheads. On smaller and remote sites it can also limit opportunities for development and progression. For all these reasons we announced in November the intention to reduce the size of our estate from twelve sites to six.

2. In November we announced that we would:

- move to a single site in the North West and would explore the lead option of consolidating on the Manchester site;
- leave the Mowden Hall site but retain a single site in the North East and explore other relocation options including alternatives in Darlington;
- leave the Lime House site in Nottingham in November 2013 and explore options to relocate staff on the Triumph Road site or elsewhere;
- leave the Bristol, Histon and Guildford sites and explore options to relocate to other DfE sites or make use of the new Government Business Hub model;
- vacate Greycoat Street by 2014 and relocate into Sanctuary Buildings;
- leave Sanctuary Buildings in 2017 moving to another site in the Whitehall area; and
- retain the Coventry and Sheffield sites.

3. Since publishing the Review we have undertaken a consultation exercise with all staff, met one-to-one with staff who are likely to be affected by these changes, discussed options with the leaders of the business functions that might be affected, consulted the Trade Unions, and held discussions with various stakeholders including our sub tenants, local authorities and local MPs. We have continued to gather information about the options available to us and the potential impact of our decisions.

4. We recognise that for a large number of staff on sites affected, particularly those in the North West and North East, this has meant a period of great uncertainty. We wanted to be as open with staff as we could be about our proposals. This has enabled us to take evidence and views from staff and other stakeholders into account in reaching our final decisions.

Decisions

5. We will close Castle View House in Runcorn by April 2014 and consolidate our North West presence in Manchester Piccadilly Gate.
6. We will transfer our business in Darlington from Mowden Hall to another site in the town, our preferred option being a new development proposed by Darlington Borough Council, adjacent to the Town Hall.
7. We will vacate our Bristol, Histon and Guildford offices by the end of April 2014. Staff in Guildford and Histon will have the option to be contractually based in London or Coventry or, subject to business need, make more use of flexible working options in their roles as fieldworkers. Because EFA clients in the South West are difficult to access from other DfE sites, Bristol-based staff will be able to utilise Government Hub space in DCLG's Temple Quay House.
8. As previously announced, we will:
 - consolidate all Nottingham staff in our property at Triumph Road;
 - transfer Greycoat Street staff to Sanctuary Buildings by 2014, and move all London-based staff to another property in the Westminster area in 2017; and
 - retain our sites in Sheffield and Coventry.
9. In making final decisions about the location of our offices in the North West and North East we applied the following criteria (explained fully in our consultation document):
 - business need;
 - minimising costs for the Department and wider central government;
 - minimising adverse effects on staff;
 - potential adverse effects on the local community; and
 - compliance with wider government policies.

We set out below how these criteria have been applied in reaching our decisions.

The North West

Decision

11. We will consolidate our North West presence in Manchester Piccadilly Gate and dispose of Castle View House. We expect the closure of Castle View House and the transfer of staff and functions to Manchester to take place from September 2013 to April 2014.

12. DfE currently has around 500 skilled and experienced staff in the North West and we are committed to retaining a presence in the region. However, we identified no business reason to maintain two sites in order to deliver the Department's business; either site can accommodate all our North West staff with the potential to go further. Operating from one site will reduce the costs associated with buildings and IT infrastructure, and the management and transaction costs arising from operating out of two sites in the region. Just as importantly, consolidating our operations gives our staff a wider range of job opportunities within the organisation and allows the Department to concentrate its management and support for staff. Analysis since the November announcement has therefore largely focused on which of the two sites should close.

13. Of the five criteria we used to assess which North West site to consolidate on, the evidence on four was finely balanced and could, in some cases, generate conflicting conclusions depending on the assumptions and interpretations applied to the evidence. But the business need criterion was decisively in favour of Manchester. The functions located there are key to delivery of the Department's work and essential in minimising continuity risks. This makes Manchester by far the better option for business need. This was the determining factor in reaching our decision.

Business need

14. Closing either office would pose challenges, but there is likely to be a significant risk to business continuity if we close Manchester because it is the location of critical activity carried out by the National College for Teaching and Leadership and the EFA. Around half of staff working in what was the Teaching Agency are based in Manchester. Disruption to their work poses a significant risk to the achievement of the Department's business objectives. In comparison, most Groups with teams in Runcorn have staff with similar levels of expertise in other locations. This means they would be able to manage the impact of Runcorn closing, and staff exiting through voluntary early release, without significant risk to business delivery. There are also fewer staff in Runcorn.

15. Over the longer term Manchester has a stronger labour market which is more likely to be able to meet the Department's future needs. The local market has

particular strengths in IT and finance skills which are likely to be important to us because of the nature of the business undertaken in the North West.¹

16. Manchester also has better travel connections when compared to Runcorn. This makes us more accessible to stakeholders (of particular importance to the EFA and the National College for Teaching and Leadership) reduces travel time and cost and promotes use of public transport. Staff in North West have told us that when travelling to Nottingham and elsewhere, the most convenient option is often to travel by car rather than public transport. However, as a Government Department we have a duty to encourage greater use of public transport and would expect that rail travel, booked in advance, would normally be cheaper and certainly more environmentally efficient than travelling by car. It also affords the opportunity to work safely while travelling.

17. We considered the potential impact of the High Speed 2 (HS2) project as the current plans suggest Piccadilly Gate may need to be demolished. This proposal is subject to an extended period of consultation and will not be implemented for at least twelve years. This is beyond the expiry of our lease, so we excluded this factor from consideration.

Costs

18. In considering costs we took into account annual running costs, the costs of closure, including voluntary exits and excess fares, forecasts for income from selling the closing site and forecast of income from sub-letting. See Annex A for a detailed explanation.

19. The slightly higher annual running costs for Manchester Piccadilly Gate can be offset by sub-letting space, and the demand for space in Manchester is relatively strong. By contrast, there are indications that we are likely to lose some or most of our tenants in Castle View House over the next few years and demand for office space such as ours in Runcorn is weak.

20. We have assumed that we could sell Castle View House within three years. This assumption is based on a combination of an independent assessment by property experts and our experience of disposing of other properties over the past three years.² If it takes longer than three years to sell Castle View House, consolidating in Manchester will still generate greater savings over the longer term. Even if we vacated but were unable to sell Castle View House, and VES and excess fares costs were at the top of the expected range, we would still realise savings by 2018-19.

¹ Source: [Nomis](#) labour market statistics

² In the last year PAMU has disposed of 10 buildings across both the DfE and DCLG estates, saving c.£10m per annum. For that reason, we are confident that we can achieve a sale within three years at most, and have calculated costs and savings on that basis.

Impact on staff

21. We recognise that closing either site will have a significant and adverse impact on staff. In particular, we know that journey times, travel distances, and family commitments, including caring costs, are seen as significant obstacles to relocating for staff on both sites – and we have put together a package of support to help address these challenges. Although arguments can be made in support of staff on each site, at its most basic, there are more staff based at Manchester and so the decision to consolidate in Manchester impacts on fewer staff.

22. We considered the distance staff would live from each site after consolidation, as set out in the table below. This shows large and approximately equal numbers of all current staff in the North West would live more than 24 miles from the new site. It shows that more Manchester staff would see their commuting distance increase, but it also shows that the average distance would increase more for Runcorn staff if we consolidated in Manchester than it would for Manchester staff if we consolidated in Runcorn. This underlines the finely balanced nature of the evidence against this criterion.

	If Runcorn staff worked from Manchester	If Manchester staff worked from Runcorn
Number of staff whose commute distance would decrease	14	24
Number of staff whose commute distance would increase	190	221
Additional staff whose commute would now be over 24 miles where it wasn't before	150	130
Total that would live further than 24 miles from the office	161	167
Total that would live further than 30 miles from the office	35	82
Average increase in distance from the office per staff member	17.6	14.8

Source: Postcode analysis of distance by road for staff from either site

23. Although at the request of staff in Runcorn we did not draw definitive conclusions from evidence gathered in the one-to-one exercise in reaching our decision, it is worth noting that fewer than half the staff on each site said they would move to a new location. The single biggest reason given was the length of the journey required. During the consultation Runcorn staff highlighted further concerns about their ability to commute to Manchester. These concerns included the frequency and capacity of train and bus services, car parking at stations, and plans to redirect services from Runcorn East to Manchester Victoria from late 2014. There are also concerns about road congestion. We do not underestimate the challenges of commuting from Runcorn to Manchester, but Manchester staff commuting in the opposite direction would face many of the same issues, such as the infrequency of trains and connecting buses to Castle View House. The principal difference is that the capacity on trains from Runcorn East to Manchester is more limited. Now we have a firm decision, we are in a better position to press strongly with Arriva Trains the case for expanding capacity and also improving station and car parking facilities. We will in addition work with the local authority to see what can be done to improve connecting bus services.

24. We have put together a package of support for affected staff because we would like as many staff as want to and are able to move to Manchester. The package includes:

- payment of an Excess Fares Allowance to contribute to the additional costs of commuting to Manchester, including car parking charges where appropriate;
- support of up to £8,000 for any staff wishing to move home to live nearer the new office;
- additional support for staff whose caring costs increase significantly; and
- some opportunities for flexible working where this meets business needs.

25. For staff who make the move, there will be new opportunities. In a building with over 400 DfE jobs³ there will be more opportunities to develop experience and skills. In addition, there are many more Civil Service jobs in Manchester, which will increase the range of career paths on offer to staff. For staff who are unable or unwilling to move, we will offer support for redeployment to other government departments or the option of voluntary exit without further criteria being applied (the only exception being former YPLA staff previously located in Manchester, who will need to seek approval from their Deputy Director).

Impact on the local community

26. In assessing the impact on the local community, we focused on the economic impact to each area if local jobs were lost. From our analysis, it is clear that the negative impact would be greater in Runcorn because of the number of people affected relative to the total population of the area, and because the immediate area is relatively more deprived and less economically resilient than Manchester.

27. DfE jobs are a small proportion of jobs in Halton at around 0.4%⁴ and the removal of those jobs is unlikely to have a significant impact on total employment rates in the area. If staff leaving the organisation become unemployed, the impact would be greater in Runcorn than Manchester because of its smaller labour market. However, we plan to support our staff wherever possible to remain employees of DfE or to secure employment in other government departments. That should reduce the impact of the Department's departure to all but the most local area.

28. Trawls for redeployment opportunities during the spring have identified between 200-300 job opportunities in other government departments in the North West – an average of 70 plus posts are advertised on Civil Service websites each week. Only some of those will be in locations to which staff would wish to commute, but we will work with our staff and those recruiting to roles in the other government departments to identify emerging opportunities early.

³ Assuming around a 20% reduction in posts from the current 500 in the North West, consistent with reductions elsewhere in the business.

⁴ DfE jobs as a percentage of total labour market (labour market figures come from [Nomis](#)).

29. In Runcorn there will potentially be some loss of business to local retailers during the working week, although we would expect that staff who choose not to relocate and/or who continue to live in Runcorn would continue to support the local economy.

Compliance with wider government policies

30. Both options are consistent with Government Property Unit policies as we are not entering into long leases and both options involve using properties in public ownership. Manchester has a much larger government presence which offers greater opportunities to achieve value for money in the future through co-location. Better public transport connections help support government policy to reduce carbon emissions and encourage the use of public transport.

Halton Borough Council proposal

31. We did revisit the option of maintaining two offices in the North West because Halton Borough Council proposed that we relocate our Runcorn staff to an alternative site in Runcorn, allowing us to sell Castle View House while causing limited disruption to the staff. While this option appears attractive, especially as a means of minimising the impact on staff in the short term, we were not persuaded it meets the medium or long term needs of staff or the business, both of which benefit from consolidation on a single site. We believe that it is better to take a clear-cut decision than to have further uncertainty and a dwindling and increasingly unsustainable presence in Runcorn.

The North East

Decision

32. We will maintain an office in Darlington with our preferred option being to move to a new build proposed by Darlington Borough Council, adjacent to the Town Hall.

33. We have over 400 skilled and experienced staff in Darlington. The current building is in a poor state of repair and requires significant investment to tackle its defects and improve facilities. To bring it up to modern specifications would require capital investment which we cannot afford and which would not represent value for money, especially given that alternative properties are available in the area at an appropriate cost.

34. Darlington emerged as the best option against all the criteria, though we recognise that Newcastle offers some advantages. Other possible locations were quickly ruled out on suitability grounds so were not fully considered against the criteria.

Business need

35. There are a number of teams in Darlington delivering services for which we rely on staff with specialist expertise and knowledge that would be hard to replace. This is particularly true of the teachers' pension team and teams involved in the collection and analysis of data. Disruption to some of the other services delivered from the Darlington site, notably independent school registration and monitoring and inter-country adoption, where we have specific obligations, would also present risks to the business and reputation of the Department. Newcastle, by virtue of its greater size and larger public sector, could provide a better potential labour market for future recruitment compared to Darlington.

36. Like Manchester in the North West, it would also provide a wider range of career opportunities across the civil service or public sector more generally. Newcastle also has excellent regional and national transport links, but journeys between Darlington and our other sites and stakeholders are generally faster and cheaper.

37. While there are potential benefits to relocating to Newcastle, on balance the business delivery risks outweigh the benefits.

Costs

38. Following the decision to vacate Mowden Hall, we conducted an initial search of the North East property market for all available offices between 25,000sqft and 70,000sqft. This produced an initial list of over 50 properties. In addition, Darlington

Borough Council swiftly proposed to develop a 'public sector hub' in the centre of Darlington. We initially assessed properties on the basis of location and facilities offered. Key considerations included: a town or city location with easy access to a main line rail station; good quality work space for approximately 350 staff and desirable core facilities such as access to a restaurant or café; some parking availability for disabled staff; appropriate timing of availability; and an EPC asset rating of 69(c) or better. The resulting shortlist included properties in Durham, Darlington and Newcastle. Durham was subsequently ruled out on the grounds that when visited the building available was poorly located and did not meet our property requirements. That left a choice between properties in Newcastle and Darlington.

39. Taking into account the likely costs of VES and excess fares, a move to Newcastle emerged as more expensive than remaining in Darlington.

40. Of the options available in Darlington the facility to be developed by Darlington Borough Council offers the best combination of facilities, location and value for money. More details about the building are available at Annex B. As a new build project there is of course a risk of delay or non-completion, but we have been reassured by the positive way that Darlington Borough Council have engaged with us and the commitment they have shown (including through some financial investment) to making the project a success. We are also excited by the prospect of developing a new type of public sector hub where we share services, expertise and ideas with the Council.

Impact on staff

41. A relocation to Newcastle would have an adverse impact on most staff who currently live and work relatively close to the Darlington site. Consultation with staff showed that significant numbers would not be willing to relocate to Newcastle. There are a small number of staff, largely from EFA, who relocated from Gateshead, for whom we would expect relocation to Newcastle to be seen as having a positive impact, but the balance of impact on staff is strongly in favour of remaining in Darlington. Collaboration with the council may lead to a wider range of career progression opportunities for staff.

Impact on the local community

42. In assessing the impact on the local community, we focused on the economic impact if local jobs were lost. While the negative impact would be greater in Darlington than Newcastle because of the number of people affected relative to the total population of the area, DfE jobs as a proportion of jobs in Darlington is small at 0.8% of all employee jobs⁵ and leaving Darlington would therefore have been unlikely to have a significant impact on total employment rates in the area. Similarly, while there would potentially have been some loss of business to local retailers

⁵ DfE jobs as a percentage of total labour market (labour market figures come from [Nomis](#)).

during the working week, we would have expected staff who remained in Darlington to continue to support the local economy.

43. While the balance of evidence suggests the impact would be greater on Darlington than Newcastle, the impact either way would be marginal.

Compliance with wider government policies

44. All of the building options we looked at were consistent with Government Property Unit policies.

Bristol, Guildford and Histon

Decision

45. We will vacate our existing Bristol, Histon and Guildford offices by the end of April 2014. Staff in Guildford and Histon will have the option to be contractually based in London or Coventry or, subject to business need, make more use of flexible working options in their roles as fieldworkers. Because EFA clients in the South West are difficult to access from other DfE sites, Bristol-based staff will be able to utilise Government Hub space in DCLG's Temple Quay House.

46. In coming to a decision about the timing for vacating our sites in Bristol, Histon and Guildford, we balanced the delivery risks to the organisation and the impact on staff. Vacating in April 2014 fits with EFA business cycles and allows sufficient time to manage the closure, including consulting with staff on their options and implementing relocation and voluntary exit schemes. We could see no argument for further delaying or staggering the closures – it will be better to manage them in parallel and achieve a quick transition.

47. Although we will vacate our existing property in Bristol in April 2014, there is a strong business requirement for retaining a presence in the city. Many of EFA's customers in the South West would be difficult and costly to reach from any other DfE site. We therefore looked for a way to retain our South West presence, which was consistent both with the EFA business delivery model and our commitment to reduce our estate. We concluded that the Government Hub at Temple Quay House in Bristol would meet our needs. Government Hubs provide flexible desk and meeting space in government buildings for cross-departmental use at no charge. We expect the majority of Bristol-based staff, as now, to be working a blend of external visits, in the office and home working, with only a small number of people at desks located in the Hub at any one time. We will review whether these arrangements meet the needs of the business no more than 18 months after implementation.

48. The clients served by staff in EFA's Histon and Guildford offices are easily accessible from London and Coventry. We could therefore see no case for retaining any formal presence in these locations. This decision will clearly be disruptive for the staff involved. However, in one-to-one conversations over half of staff currently based on those sites said that they would relocate to Coventry or London. The impact of the move is likely to be most keenly felt in Guildford where nine staff indicated they would leave the civil service and 13 did not give an indication of what they might do. We will support any staff wishing to move to the new location through the package of support described above.

Nottingham

49. We committed in the Review to retaining a presence in Nottingham where we have just under 300 skilled and experienced staff. We decided that we could not justify retaining two offices in Nottingham and announced that we would not renew the lease on Lime House when it ends in November 2013.

50. In February 2013 we confirmed that we will be able to accommodate all Lime House-based staff in Triumph Road, our other Nottingham property. As this is within 6.5 miles of Lime House we do not propose to offer any particular support to staff making the move. We recognise that there may be a small number of individual cases where special arrangements are needed. These should be flagged to line managers in the first instance.

London

51. We are not making any new announcements regarding our London sites today. We have already announced that we will vacate our Greycoat Street building and relocate staff there into Sanctuary Buildings by lease expiry in 2014. We will leave Sanctuary Buildings at lease end in 2017 and are working with the Government Property Unit to secure an alternative site in the Whitehall area which meets our requirements. We expect to confirm location by the summer.

Annex A: Cost information in relation to Runcorn and Manchester

53. Maintaining Castle View House currently costs the Department £1.63m per year,⁶ offset by £400k in rent receipts from sub-tenants (Cafcass, DWP, BIS and DH). The cost of renting Manchester Piccadilly Gate and utilities is £1.95m per year.⁷

54. The probability of finding additional sub-tenants for Castle View House is extremely low. With the remaining formal sub-tenancy agreements in Castle View House expiring in March 2014, we have assumed a worst case scenario in which we would see our income from sub-tenants reduce by at least 75% from March 2014.

55. In contrast, Manchester Piccadilly Gate is attractive to both private and government tenants as a result of its location and facilities. It is the only government freehold building in Manchester and as such is prioritised as the location for other government departments looking to relocate in Manchester. The Government Property Unit has confirmed that other government departments will be seeking accommodation in Manchester in the next year. We have therefore built into our assumptions that even after consolidation of all Runcorn and Manchester functions in Manchester Piccadilly Gate we would have demand and the space necessary to be able to rent up to a third of our existing space to sub-tenants.⁸

56. We recognise that the savings generated over the long term are offset by the initial costs of VES and Excess Fares. However, in the scenarios we have modelled - which are shown in the graph below - the latest point by which the Department will be making a net saving would be in 2018-2019.

57. We estimate that if we close Runcorn these costs would be approximately:

▪ VES for Runcorn staff	=	£4.3m
▪ Excess Fares for Runcorn staff	=	£950k

⁶ This is higher than the costs originally quoted in the DfE Estates Consultation document. We said in that document we would explore forecasts for the dilapidations/building asset life cycle maintenance/replacement costs. EC Harris Built Asset Management consultants have undertaken a full survey of Castle View House and in their report have identified the work that would be necessary to ensure compliance with warranties and to maintain the building so that it does not lose its operational effectiveness or value. The costs have been increased accordingly. The £1.63m does not include any element for depreciation. We also recognise that initial estimates for refurbishing the 2nd floor of Castle View House were too high. The £500k we quoted represented the estimates to bring it up to the same standard as Manchester Piccadilly Gate, not what would be necessary to accommodate all North West staff. The costs necessary to accommodate all staff in either Manchester or Castle View House are considerably lower and broadly equal.

⁷ This is lower than initially indicated. The costs were based on the budget that we inherited from the Teaching and Development Agency (TDA). In the time since the consultation was launched, as part of our drive to improve the sustainability and efficiency of our estate, the Property Asset Management Unit has secured reductions in the consumption and cost of utilities and site maintenance costs. The amount we are now forecasting is also based on actual spend rather than the original 2012-13 budget allocation.

⁸ After staff have left through the current round of VES we have assumed there will be around 420 staff located in the North West. The Department rents three floors of Manchester Piccadilly Gate. The space we already have available on the first and second floors would be sufficient to accommodate all staff using a 7:10 desk ratio. This would give us the room to let out the third floor in its entirety.

The equivalent comparison if we were to close the Manchester building would be approximately:

- VES for Manchester staff = £3.9m
- Excess Fares for Manchester staff = £480k

58. In both cases this is the worst case scenario and actual costs are likely to be lower.

59. We anticipate being able to sell Castle View House within three years. This is based on independent advice received from GVA Property Consultants (www.gva.co.uk). We recognise the property market is not buoyant, but nevertheless the Department has a strong track record of disposing of buildings in this economic climate. For example in the last year the Property Asset Management Unit has disposed of 10 buildings across both the DfE and DCLG estates, saving c.£10m per annum. For that reason, we are confident that we can achieve a sale within three years, and have calculated costs and savings on that basis. We have not shown expected capital receipts from any sale in the table so as not to weaken the Department's commercial negotiations.

60. For every year we are unable to sell Castle View House, the Department will continue to be responsible for rates and associated costs of retaining the vacant building (c£490k). This cost has been factored into the various scenarios.

61. The graph below shows the projected cumulative savings under the various scenarios.

Cost / savings profile over time



Annex B: Information on Darlington new building

1. The proposed new build in Darlington will be a four level office development, linked to and sharing a new reception with Darlington Borough Council's Town Hall. It will be a modern office building, with a high quality, open plan working environment. It is expected to have air conditioning and a high sustainability ranking. There will be opportunities to benefit from shared services with Darlington Borough Council, including reception facilities, meeting rooms and facilities management services – to be developed over the coming months.
2. The location is in close proximity to the town centre shopping facilities, the proposed Feethams cinema/leisure complex and to Darlington train station. Completion is anticipated to be by November 2014.
3. This is an artist's impression of the building.

